



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Adopt Resolution Authorizing the City Manager to Execute NCPA Letter of Agreement for Long Term Energy Procurement Services (\$40,832) (EUD)

MEETING DATE: June 18, 2008

PREPARED BY: Electric Utility Director

RECOMMENDED ACTION: Adopt a resolution authorizing the execution of a Letter of Agreement for Long Term Energy Procurement Services between the Northern California Power Agency (NCPA) and the City of Lodi.

BACKGROUND INFORMATION: Historically the City of Lodi has obtained assistance from NCPA for the procurement of longer term power supplies. Assistance generally ranged from review of proposed agreements with counterparties (i.e. energy suppliers), formal issuance of Requests for Proposals, evaluation of bids received and input into confirmation letters with successful bidders. These services were provided by NCPA without separate charges.

Recently, NCPA established a Market Purchase Program (MPP) which provides relatively comprehensive energy procurement services to a number of NCPA members under a cost based compensation arrangement. Lodi and several other NCPA entities elected not to join the formal MPP at this time due to the high annual cost of same and the requirement for posting of significant collateral (cash) to minimize the risk to NCPA for acquiring energy under their name for MPP participants.

Lodi and other NCPA members have been acquiring market energy under their own bilateral agreements that make the provisions of MPP related to the posting of collateral unnecessary. For information, the MPP collateral requirement is equal to the three highest months of energy purchase costs over the next twelve months. For Lodi, the amount of cash it would be required to post with NCPA would typically be in the range of \$5 million.

Under the proposed NCPA Letter of Agreement for Long term Energy Procurement Services, Lodi would continue to obtain energy procurement assistance from NCPA as it has in the past. For equity purposes with MPP members, NCPA believes it is necessary to charge for this support and the Letter of Agreement provides that Lodi would pay \$40,832 per year (payable on a monthly basis) to NCPA for these services. The agreement continues in effect unless terminated by either party with 90 days notice prior to the end of any annual term.

FISCAL IMPACT: Lodi would pay \$40,832 per year for energy procurement support.

FUNDING: Sufficient funds are available in EUD's Power Supply Operating Budget account.

Kirk Evans, Budget Manager

George F. Morrow, Electric Utility Director

APPROVED: _____
Blair King, City Manager

RESOLUTION NO. 2008-_____

A RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING
THE CITY MANAGER TO EXECUTE A LETTER OF AGREEMENT
FOR LONG TERM ENERGY PROCUREMENT SERVICES WITH
THE NORTHERN CALIFORNIA POWER AGENCY

=====

WHEREAS, the Northern California Power Agency (NCPA) has historically provided support to the City of Lodi (Lodi) for procuring energy from the wholesale market; and

WHEREAS, NCPA has adopted a policy that future energy procurement services provided to a member shall be cost-based depending on the level of services provided to such member; and

WHEREAS, Lodi desires to continue obtaining energy procurement assistance from NCPA to review proposed agreements with counterparties (i.e. energy suppliers), issue Requests for Proposals, evaluate bids received and provide input into confirmation letters with successful bidders; and

WHEREAS, the terms and conditions of such energy purchase assistance is contained in a Letter of Agreement for Long term Energy Procurement Services between NCPA and Lodi; and

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council hereby approves the Letter of Agreement for Long term Energy Procurement Services between NCPA and Lodi and authorizes the City Manager or his designee to execute the Agreement and authorizes the Electric Utility Director or his designee to administer the Agreement.

Dated: June 18, 2008

=====

I hereby certify that Resolution No. 2008-_____ was passed and adopted by the Lodi City Council of the City of Lodi in a regular meeting held June 18, 2008, by the following vote:

AYES: COUNCIL MEMBERS –

NOES: COUNCIL MEMBERS –

ABSENT: COUNCIL MEMBERS –

ABSTAIN: COUNCIL MEMBERS –

RANDI JOHL
City Clerk